



Examiners' Report

Principal Examiner Feedback

Summer 2022

Pearson AS GCE

In Business (8BS0) Paper 2 Managing
Business Activities

Edexcel and BTEC Qualifications

Edexcel and BTEC qualifications are awarded by Pearson, the UK's largest awarding body. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers. For further information visit our qualifications websites at www.edexcel.com or www.btec.co.uk. Alternatively, you can get in touch with us using the details on our contact us page at www.edexcel.com/contactus.

Pearson: helping people progress, everywhere

Pearson aspires to be the world's leading learning company. Our aim is to help everyone progress in their lives through education. We believe in every kind of learning, for all kinds of people, wherever they are in the world. We've been involved in education for over 150 years, and by working across 70 countries, in 100 languages, we have built an international reputation for our commitment to high standards and raising achievement through innovation in education. Find out more about how we can help you and your students at: www.pearson.com/uk

Summer 2022

Publications Code 8BS0_02_2206_ER

All the material in this publication is copyright

© Pearson Education Ltd 2022

Introduction

8BS0/02 Examiners' Report 2022

Introduction:

This report provides feedback on 8BS02 'Managing Business Activities', the second paper which comprises the AS Level qualification in Business. This report should be used by centres to provide teachers and students with guidance as to how to approach the various question types going forward. It could be used to fine-tune the approach candidates' use in answering the questions. This year the Examiners' Report will not contain any exemplars of candidate performance, but I will continue to highlight common areas of misunderstanding, mistakes and places where teachers and candidates can make some easy gains in terms of performance.

Question 1(a):

Candidates generally had some understanding of what 'crowd funding' was. The mistakes that were made by candidates were to offer a definition which could simply apply to share capital or by giving some overall feeling that 'crowd funding' was the same as a charity fundraiser. Most candidates scored at least one mark for this question. To reach two marks there had to be something specific relating to 'crowd funding' within the definition.

As has been recommended in the past, a definitions sheet could allow candidates to secure 8 marks on 'what is meant by....' questions. These questions represent 10% of the available marks on the paper.

Question 1(b):

This should have been straightforward. I was expecting to see 'selling price x quantity sold' for an easy 2 marks. However, some candidates over-complicated it. Some stated 'cash from sales.' This is not technically correct since sales revenue is recorded as soon as the product is sold, irrespective as to whether cash has been received. Thus, these answers scored 1 mark. Some candidates confused 'selling price' with 'cost'. Again, a definitions sheet would have helped.

Question 1(c):

Of the three 'calculate' questions, this question was one of the best-answered and most straightforward. The critical piece of information was that in Extract A it stated that 'the canning factory was operating at 98% of its capacity'. Thus, it became an easy calculation question where candidates had to work out 98% of 42,500.

Considering 10% of the AS qualification has to test quantitative skills, it should be straightforward to predict how many marks of 'calculate' questions there will be on 8BS02 after 8BS01 has been sat.

Thus, as Principal Examiner I still find it surprising that candidates are not learning formulae and practising answering these kinds of questions. With 12 marks of

'calculate' questions on this year's paper – this question style represents 15% of the available marks.

Question 1(d):

This question was harder than 1(c) but still well-answered. A variety of approaches could be used to generate the correct answer, hence the flexibility in the mark scheme. Some candidates arrived at the correct numerical answer but then stated that it was an adverse or negative variance. These candidates received 3 marks.

Question 1(e):

This question was badly answered with too many candidates making assertions about flow production, without comparing it to other types of production such as batch or thinking about the kind of product that is being manufactured. E.g. 'the product will be of lower quality'. In a canning factory that is incorrect, since if anything the quality will be consistent and high for a soft drink. There was also confusion regarding costs, with candidates mixing up total costs and unit costs. A common theme was 'machinery for flow production is expensive, therefore prices of the drinks will have to increase'. This is false logic. The machinery is an expensive fixed cost, but the unit fixed cost actually falls due to the significant increase in output which is now possible. This then forces down the ATC.

Question 1(f):

This was reasonably well-answered. Most responses considered the need to lower prices and the need to increase quality and advertising in order to remain competitive. Some answers, which were applied, explained how Nexba would struggle to compete with Coca-Cola if a price war broke out due to their lack of economies of scale and it depended on the strength of the brand loyalty. A small minority of candidates misread the question and wrote about Nexba becoming more competitive, rather than the market in which Nexba operates in becoming more competitive.

Question 2(a):

This was the weakest of the four 'What is meant by the term...' questions. Some candidates had never heard of the term 'contribution' and thought it was something to do with 'charitable giving' or 'doing things for the local community'. Some candidates defined 'total contribution' (sales revenue – total variable costs) whilst others defined 'contribution per unit'. Both were fine as an approach to answering the question. Again, stating a formula was the most time-efficient route to scoring 2 marks.

Question 2(b):

I expected a definition of 'liquidity' to be the trickiest of the four 'what is meant by...' questions. However, it was well-answered. One mark was given for 'ability to turn assets into cash' with the second mark coming from 'so they have the ability to pay off bills in cash.' Some candidates simply wrote 'current assets – current liabilities' and scored 2 marks for it.

Hopefully, centres can see the significant value in a definitions and formula sheet that candidates can simply rote learn from.

Question 2(c):

This question was designed as a counterbalance to the easier calculation required in Question 1(c). Many candidates did not follow the instruction in the question 'Using the data in Extract D...', instead they decided to use the written text in Extract C. Thus, they made it impossible for themselves to answer the question. To answer this question, they needed to calculate operating profit and then subtract profit for the year (net profit). The difference between the two is 'interest'. I point centres in the direction of Page 39 of the AS Specification 'Appendix 4: Accounting ratios'.

Statement of comprehensive income

	Ratio name	Ratio formula
Revenue	Gross profit margin	$\frac{\text{Gross Profit}}{\text{Revenue}} \times 100\%$
- Cost of sales		
= Gross profit		
- Other operating expenses	Operating profit margin	$\frac{\text{Operating Profit}}{\text{Revenue}} \times 100\%$
= Operating profit		
- Interest	Profit for the year (net profit) margin	$\frac{\text{Profit for the year (net profit)}}{\text{Revenue}} \times 100\%$
= Profit for the year (net profit)		

Question 2(d):

This was a badly answered question for two reasons. Confusion between 'production' and 'productivity' and lack of Application (AO2). An 'Explain how...' question is marked 1 x AO1, 2 x AO2 and 1 x AO3. Thus, without two definitive strands of Application (AO2) that help answer the question, candidates limit themselves to a maximum of two marks. Thus, writing a generic answer is expensive. The other problem was more fundamental. Production is the total output produced in a period of time. Whereas productivity is output per worker/machine per period of time. Examiners were instructed not to reward any answers that wrote about 'production' rather than 'productivity' because the candidates were not answering the set question. Hence, there were many 0 mark answers to this question.

Question 2(e):

A small minority of candidates confused 'interest rates' with 'exchange rates' but, in the main, most candidates focused on the falling cost of servicing Hollywood Bowl's loans and the impact on consumer spending. The best candidates considered the size of the cut in interest rates and the fact that bowling is a fairly

inexpensive activity, so they were able to generate evaluation by considering the magnitude/significance of the impacts on the company.

Question 2(f):

This was a very badly answered question with the majority of candidates not understanding the purpose and drawbacks of using break-even analysis. Some candidates thought that break-even analysis showed 'cash-flow and sources of finance', with the main drawbacks being that it 'takes a long time to do and you might make a mistake'. The best candidates realised that Hollywood Bowl is a multi-service business and there will be different contributions from the food and bowling games offered so there could be a multitude of different break-even points within the business. The last time this topic appeared in the AS examination, it was also badly answered, so this is definitely an area for centres to focus on going forward.

Question 3:

Despite the fact that this question is supposedly the hardest question on the paper it was reasonably well-answered. This was, perhaps, due to the Theme 1 elements 'distribution channels' and 'competitive pricing' being fairly straightforward. However, these two options were then linked back to 'operating profit' rather than just simply 'profit'. This then resulted in candidates struggling to reach Level 4 overall. Hence, the vast majority of responses were placed in Level 2 or Level 3.

Another barrier to performance tended to be the over-use of the case-study as being the root source of a candidates' answer and the use of common-sense business understanding. A minority of candidates also misunderstood 'competitive pricing' and thought that it was an umbrella term for 'skimming', 'penetration' and 'predatory' pricing. Candidates who did this received no credit for that section of their response.

Some of the best answers, recognised that chocolate bars are an impulse purchase and not suited to distribution via the internet. They then went on to make the distinction between impulse purchases and larger selection boxes that could be ordered online for a special occasion such as a birthday.

Paper Summary:

Based on the exemplars that have been seen by the Principal Examiner, centres and candidates are offered the following advice for 2024:

- Learn the key terms in the specification. This could account for as much as 10% of the marks available on the paper.
- Learn the formulae in the specification and set out 'calculate' questions clearly. Across 8BS01 and 8BS02 10% of the marks available must be quantitative based.
- In 'explain how' questions recognise that 2 of the 4 marks available are for Application (AO2).

- Recognise that 8 mark 'Assess two...' questions do not require a conclusion.
- Recognise that 20 mark 'choice' questions will test understanding over both of the themes since these questions are synoptic in nature.